

Message Text

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ACTION PM-04

INFO OCT-01 NEA-10 ISO-00 AID-05 IGA-02 CIAE-00 INR-07

NSAE-00 OMB-01 TRSE-00 /030 W
----- 130778

P 061346Z NOV 76

FM AMEMBASSY KUWAIT

TO DARCOM ALEX VA//DRSIL-WM/ME//PRIORITY//

INFO DA WASHDC//DALO-ILM//

CDR TARCOM WARREN MI//DRSTA-B//

CDR USAILCOM NCAD PA//DRXIT-C//

SECDEF WASHDC//ISA(SA)/DSAA//

USCINCEUR//ECJ4/7-SAME//

SECSTATE WASHDC 6562

UNCLAS KUWAIT 5179

FROM USLOK

E.O. 11652: N/A

TAGS: MASS, KU

SUBJ: FMS CASE DA KUWAIT UAS, NOTICE 1

REF: (A) LTR DRSIL-WM/ME DTD 5 OCT 76 SUBJ AS ABOVE

(B) DA 022030Z JUN 75

(C) DARCOM 201846Z JUL 76

(D) AMC 122135Z DEC 75

1. REF A FORWARDED SUBJECT 1513-2 ON FMS CASE DA KUWAIT UAS.
REFTEL B PROVIDED PRICE INCREASES FOR LINES 5, 6 AND 7, FMS CASE
UAS. REFTEL C PROVIDED STATUS OF LN 3, CASE UAS. REFTEL D
PROVIDED REVIEW OF CASE UAS.

2. REF A WAS HANDCARRIED TO KUWAIT AND RECEIVED BY USLOK ON
20 OCT 76. USLOK REVIEW OF REF A INDICATES ADDITIONAL INFOR-
MATION IS REQUIRED PRIOR TO FORMAL PRESENTATION TO GOK:

A. REFERENCE LN 3, PNEUMATIC TOOL AND COMPRESSOR:

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(1) NOTE 2, ITEM 8, DD FORM 1513-2 STATES THAT LN 3 CONTACT

AWARD IS ANTICIPATED BY 31 OCT 76 AND THAT REQUIREMENTS WILL BE INCLUDED AT INCREASED PRICES UNLESS OTHERWISE NOTIFIED BY THIS DATE. ALSO, CANCELLATION OR REDUCTION OF QUANTITIES (AFTER 31 OCT 76) WILL BE SUBJECT TO CONDITIONS OF B6 DD FORM 1513 (PENALTY CHARGES).

(A) COMMENT: ACCEPTANCE, REJECTIONS, OR ANY OTHER CONSIDERATION OF THIS PRICE INCREASE BY GOK IMPOSSIBLE DUE TO LATE RECEIPT OF AMENDMENT AS INDICATED ABOVE.

(2) THE ORIGINAL DD FORM 1513 FOR CASE UAS (IMPLEMENTED 10 MAY 74) STATES A TOTAL COST FOR LN 3 WITH 5 YEARS CSP IS \$276,000. REF A INDICATES NEW COST FOR LN 2 WITH 5 YEARS CSP IS NOW \$621,456.

(A) COMMENT: NO NOTICE OF PRICE INCREASES HAS BEEN RECEIVED OTHER THAN INFO PROVIDED BY REF C WHICH STATES "COST INCREASES HAVE OCCURED." TO NOW INFORM THE GOK THAT THE COST OF THIS ITEM HAS INCREASED TO OVER TWICE THE ORIGINALLY QUOTED PRICE (CAUSED BY ESCALATION, ETC, OVER A TWO AND A HALF YEAR PERIOD SINCE CASE IMPLEMENTATION WITHOUT CONTRACTUAL AWARD) AND THAN TO MAINTAIN THAT THE GOK IS LIABLE FOR CANCELLATION CHARGES IF THE PRICE INCREASES ARE NOT ACCEPTABLE WILL BE EXCEEDINGLY DIFFICULT FOR US TO EXPLAIN.

(3) PLEASE ADVISE IF THE GOK CAN CENCEL THIS ITEM AT NO COST IF IT DESIRES, AND OF ANY OTHER OPTIONS AVAILABLE.

B. REFERENCE LN 5, 6 AND 7: D8 TRACTORS, FRONT LOADERS, AND GRADERS:

(1) NOTE 5, REF A STATES THAT INCREASES IN PRICE WERE APPROVED BY GOK IN JUN 75.

(A) COMMENT: GOK DID ACCEPT PRICE INCREASES STATED IN REF B BY JUN 75 LETTER. HOWEVER, THE COST CITED IN REF A SHOWS INCREASES ABOVE THE GOK APPROVED PRICES. FOR INSTANCE: D8 TRACTORS INCREASED TO \$237,307 (APPROX 28 PERCENT); FRONT LOADER INCREASED TO \$221,363 (APPROX 40 PERCENT); AND GRADERS INCREASED TO \$146,143 (APPROX 21 PERCENT).

(2) SINCE NO OTHER NOTICE OF PRICE INCREASES ON THESE ITEMS HAVE BEEN RECEIVED, PLEASE PROVIDE EXPLANATION OF THE INCREASES ABOVE THOSE APPROVED BY GOK (REF B) AND APPROPRIATE CHANGES
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NOTE 5 REF A. FYI: GOK UNDERSTANDS PRICE INCREASES OF UP TO 10 PERCENT, HOWEVER, INCREASES BEYOND THIS FIGURE REQUIRE DETAILED EXPLANATION. END FYI.

C. REFERENCE REVISED NOTE 14, PAYMENT SCHEDULE:

(1) THIS NOTE STATES THAT APPROX \$2.29 MILLION IS DUE IMMEDIATELY. THE LAST BILLING STATEMENT (76-08-4-BKU, PREPARED 30 SEP 76) FORWARDED TO THE GOK, INDICATES ZERO AMOUNT IN COLUMN 14.

(A) COMMENT: SINCE DATES OF PREPARATION OF BOTH REFS A AND LAST BILLING STATEMENT ARE APPROX THE SAME, PLEASE PROVIDE EXPLANATION OF DIFFERENCE BETWEEN REF A AND CURRENT BILLING. ALSO, PLEASE INSURE UPDATE OF NEXT BILLING STATEMENT.

3. PAST DIFFICULTIES WITH THIS CASE (REF D) HAVE INVOLVED PRICES INCREASES, DELAYED DELIVERY, DIFFICULTIES IN OBTAINING CSP LISTINGS AND APPROPRIATE MANUALS, DELIVERY OF INCORRECT CSP, AS WELL AS DELAYS INDICATED REF A IN PLACING LN 3 ON CONTRACT. PROBLEMS WITH COMMERCIAL ITEMS ARE CLEARLY UNDERSTOOD AS WELL AS THE AMOUNT OF TIME AND EFFORT WHICH HAS BEEN EXPENDED ON THIS CASE. HOWEVER, TO PRESENT REF A WITH TOTAL PRICE OF \$3,909,354, AS OPPOSED TO AN ORIGINAL CASE VALUE (INCLUDING INCREASE STATED REFTL B) OF \$2,792,928, BUT WITHOUT A DETAILED EXPLANATION AND AT LEAST SOME OPTIONS FOR THE GOK IS CONSIDERED TO BE EXTREMELY INDESIREABLE. PLEASE PROVIDE INFORMATION REQUESTED ABOVE TO INCLUDE COMMENTS AS APPROPRIATE. REF A BEING HELD BY USLOK PENDING RESPONSE. MAESTRONE

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